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SAFEWAY STORES
INCORPORATED

DISTRIBUTION WITHOUT WASTE

ANNUAL REPORT

YEAR ENDED
DECEMBER 31

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Annual Report of President to Stockholders

Your corporation, in common with practically all other business concerns, has passed through a year of trying conditions. In the face of a drastic and continued decline in commodity prices, it is gratifying to report that the Company was able to increase its volume of sales over the previous year and at the same time maintain gross profits at the same level. Further reference to this subject will be made in this letter.

It was thought prudent during 1930, to limit the expansion of the Company to the minimum, and such expansion as was thought necessary was accomplished through the opening of additional meat markets in units already in operation. At the end of 1930 Safeway Stores, Incorporated, was operating 2,691 food stores, an increase of only 31 over 1929. We were, however, operating meat markets in 1,613 of these stores, as contrasted with 1,366 at the beginning of the year. Except as hereafter noted, no additional warehouses or other auxiliary plants of any magnitude were added.

The decline in prices of the commodities handled by our stores is conservatively estimated at 12%. In view of this fact, an increase in dollar volume indicates a healthy condition of the organization. Total sales for 1930 were $219,284,707.49, as compared with $213,496,254.65 in 1929, the latter figure after eliminating sales of acquired companies prior to the date of acquisition. It is obvious that the tonnage volume handled by the Company was greatly in excess of that handled in the previous year. It follows that additional sales effort and advertising expenses, as well as other increased operating costs, were necessary to sell this additional merchandise. Because of these increased costs of operation, net profits for the year were down considerably as compared with the previous year. After making provision for all taxes and depreciation but before preferred dividends, net profits for 1930 amounted to $3,749,901.40, which after payment of preferred dividends amounting to $690,069.00, was equal to $4.82 per share on 634,820 shares of common stock, the average amount outstanding during the year. This compares with $4.89 in 1926; $5.80 in 1927; $8.12 in 1928, and $9.02 in 1929, each figured upon the average number of shares of common stock outstanding during the year and adjusted to reflect the five-for-one split-up made in October, 1928.

We insert below a schedule showing the book value of preferred and common stock since the organization of the Company. The number of shares outstanding at the end of each year is used, and effect is given to the five-for-one split-up above referred to:

	Capital and Surplus	Net Assets per share Preferred Stock	Book Value per share of Common Stock	Dividends Paid per share on Common Stock
1926	$ 4,346,154	$148	$ 6.20	.....
1927	8,094,842	190	14.80	$1.90
1928	26,664,305	307	30.45	2.30
1929	37,843,911	360	42.44	3.00
1930	36,780,959	355	41.55	5.00

Because of the favorable position in which the Company found itself with respect to earned surplus, your directors deemed it both good judgment and fair to the stockholders to maintain the dividend rate upon the common stock during the year at the rate of $1.25 per quarter.

During the year 1930 it was necessary to carry through to completion the installation of some additional facilities, the building of which had begun during 1929. These consisted in the main of a bakery at Washington, D. C., a bakery and produce plant at Kansas City, Missouri, several retail buildings in Canada and thoroughly modern produce docks in Los Angeles and Oakland, California. These additions to plant are largely accountable for the increase in fixed assets shown upon the balance sheet; no major additions to fixed assets are contemplated for the ensuing year.

While the facts disclosed by the balance sheet, profit and loss statement, etc., herewith submitted, are extremely interesting and highly informative as indications of the condition of the Company, yet they fail to convey a complete picture of the progress being made. For that reason I believe it to be in order to refer to the internal condition of the Company, specifically, to the personnel and to the headway being made in the coordination of the various units and departments. We believe the past year has witnessed an actual and complete unification of the various acquisitions made by the Company during 1928 and 1929. We know that we have a higher degree of loyalty among all employees than at any previous time and we also know that the operations of the Company, as a whole, have been coordinated and strengthened to a most gratifying degree. We look to the future with confidence and with determination aggressively to maintain our position in the field of food distribution.

M. B. SKAGGS,
President.

SAFEWAY STORES
INCORPORATED
Geographical Distribution of Stores
British Columbia
Alberta
Saskatchewan
Canada
153 stores
Manitoba
Ontario
Washington
122 stores
Montana
19 stores
Oregon
78 stores
Idaho
35 stores
Wyoming
15 stores
Nevada
11 stores
Utah
53 stores
Colorado
80 stores
Nebraska
101 stores
Iowa
6 stores
California
986 stores
Kansas
62 stores
Missouri
87 stores
Arizona
63 stores
New Mexico
18 stores
Oklahoma
78 stores
Arkansas
27 stores
Texas
130 stores
SCALE OF MILES
100 200 300 400
Baltimore, Md.
95 stores
Washington, D. C.
391 stores
Virginia
72 stores
Honolulu
9 stores
0 10 20 30 40 50
Total number of stores as of December 31, 1930
2691 stores

SAFEWAY STORES, INCORPORATED (a Maryland Corporation), AND SUBSIDIARIES

Consolidated Balance Sheet as at December 31, 1930

ASSETS

Current Assets:		
Cash in Banks and on Hand		$ 3,124,533.59
Accounts and Notes Receivable—Trade		1,533,212.86
Accounts and Notes Receivable—Sundry		357,495.35
Merchandise Inventories at Lower of Cost or Market		19,634,942.17
Total Current Assets		$24,650,183.97
Prepaid Expenses and Charges		336,562.04
Investments and Advances		285,869.32
Fixed Assets:		
Real Estate and Buildings	$ 8,680,217.23	
Store and Warehouse Fixtures and Equipment	14,543,766.73	
Automobiles and Trucks	1,619,833.40	
Leaseholds—Improvements, etc	195,313.43	
	25,039,130.79	
Less Reserve for Depreciation	5,940,434.91	19,098,695.88
Total		$44,371,311.21

LIABILITIES

Current Liabilities:		
Notes Payable to Banks and Brokers		$ 2,900,000.00
Accounts Payable and Accrued Expenses		2,684,284.32
Mortgages on Real Estate and Buildings due in 1931		89,900.00
Cash Dividends Payable		961,139.50
Reserve for Federal and Canadian Income Tax		495,761.58
Total Current Liabilities		7,131,085.40
Mortgages on Real Estate and Buildings (Due 1932-36)		132,067.11
7% Sinking Fund Gold Notes of Subsidiary Company (Due 1936-7)		145,000.00
Preferred Stock, 8% Cumulative of Subsidiary Company		170,100.00
Dividend Payable in Capital Stock		12,098.92
Capital and Surplus:		
Preferred, 7% Cumulative Stock, Par Value $100.00 per Share: Authorized 50,000 shares Outstanding 44,516 shares	4,451,600.00	
Preferred, 6% Cumulative Stock, Par Value $100.00 per Share: Authorized 60,000 shares Outstanding 59,150 shares	5,915,000.00	
Preferred Stock Unclassified as to Series, Par Value $100 per Share: Authorized—Unissued 40,000 shares		
Common Stock without Par Value and Paid-in Surplus: Authorized 1,500,000 Shares (Reserved for Warrants, 11,419 Shares) Outstanding 635,655 Shares (After Deducting 19,634 Shares in Treasury)	19,324,155.15	
Earned Surplus	7,090,204.63	36,780,959.78
Contingent Liabilities—None		
Total		$44,371,311.21

SAFEWAY STORES, INCORPORATED (a Maryland Corporation), AND SUBSIDIARIES

Consolidated Profit and Loss Account for the Year Ended December 31, 1930

Sales		$219,284,707.49
Cost of Sales		178,710,466.06
Gross Profit		$ 40,574,241.43
Salaries, Commissions and Other Operating and Administrative Expenses	$34,157,891.50	
Provision for Depreciation	2,052,139.75	36,210,031.25
Net Operating Profit		$ 4,364,210.18
Interest Received and Miscellaneous Income		123,003.38
		$ 4,487,213.56
Interest Paid and Miscellaneous Charges		240,248.79
		$ 4,246,964.77
Reserved for Federal and Canadian Income Tax		497,063.37
Net Income		$ 3,749,901.40

Earned Surplus Account for the Year Ended December 31, 1930

Balance as at December 31, 1929		$ 7,213,604.73
Add Net Income for Year Ended December 31, 1930		3,749,901.40
		$ 10,963,506.13
Deduct:		
Dividends on Common Stock:		
Cash	$ 2,780,840.00	
Stock	391,595.00	
	$ 3,172,435.00	
Cash Dividends on Preferred Stocks	690,069.00	
Premium on Preferred Stocks Retired	10,797.50	3,873,301.50
Balance as at December 31, 1930		$ 7,090,204.63

Common Stock and Paid-in Surplus Account for the Year Ended December 31, 1930

Balance as at December 31, 1929		$20,116,906.46
Add Common Stock Issued:		
1,908 Shares by Exercise of Warrants	$ 154,700.00	
9,470 Shares as Dividends	947,000.00	1,101,700.00
		$21,218,606.46
Deduct Federal Income Tax and other Expenses applicable to Companies acquired in previous years		22,004.64
		$21,196,601.82
Less 19,634 Shares in Treasury, of which 19,500 were issued in 1929 at $90.00 per share, upon the exercise of Warrants and repurchased in 1930 at $96.00 per share for sale to Employees		1,872,446.67
		$19,324,155.15

To the Board of Directors of Safeway Stores, Incorporated:

We have audited the books and accounts of Safeway Stores, Incorporated (A Maryland Corporation) and Subsidiaries, for the year ended December 31, 1930, and certify that the foregoing Balance Sheet, Profit and Loss Account, Earned Surplus Account and Common Stock and Paid-in Surplus Account have been prepared therefrom and in our opinion, correctly present the financial position of the Companies at December 31, 1930, and the result of the operations for the year ended on that date.

San Francisco, California, March 7, 1931.

PEAT, MARWICK, MITCHELL & CO.

SAFEWAY STORES, INCORPORATED

(Maryland Corporation)

Executive Officers

M. B. SKAGGS, President . . . . . Oakland, Calif.

L. S. SKAGGS, Vice-President . . . . . Denver, Colo.

EDWARD G. YONKER, Vice-President . . Washington, D. C.

W. R. GRISWOLD, Secretary and Treasurer . . Oakland, Calif.

Directors

M. B. SKAGGS — L. S. SKAGGS

W. R. GRISWOLD — J. B. BROCKMAN (Salt Lake City)

CHARLES E. MERRILL (New York)

Executive Offices

Gazette Building . . . . . Reno, Nevada

Transfer Agent

The Chase National Bank of the City of New York . New York, N. Y.

Registrar

The Bank of America, National Association . New York, N. Y.

Auditors

Peat, Marwick, Mitchell & Co.